IN THE UNITED STATES DISTRICT COURT FOR THE
WESTERN DISTRICT OF OKLAHOMA

MARY KATHERINE HARRIS, on behalf of herself and all other persons or entities similarly situated,	)	
Plaintiff,	)	
vs.	)	Case No. CIV-15-94-C
CHEVRON U.S.A. INC., et al.,	)	
Defendants.	)	

ANSWER OF DEFENDANT CHEVRON U.S.A. INC.

Defendant, Chevron U.S.A. Inc. ("CUSA"), for its Answer to the Plaintiff's Amended Complaint [Doc. #12] herein, alleges and states as follows:

In regard to Plaintiff's "Introduction" section: To the extent these unnumbered paragraphs merely recount the case's procedural history, such statements are not allegations directed at CUSA and therefore do not require a response from CUSA. To the extent Plaintiff's Introduction purports to "incorporate" Plaintiff's prior pleadings, CUSA contends such incorporation is improper because Plaintiff does not specify what prior allegations are being incorporated. Instead, CUSA treats the Amended Complaint as if it has supplanted Plaintiff's prior pleadings and responds only to the allegations set forth in the Amended Complaint.

1. CUSA admits that it operates oil in gas wells in Oklahoma and further admits that it owns working interests in oil and gas wells in Oklahoma. CUSA disputes

Plaintiff's characterization of the Notice of Removal and denies any remaining allegations in paragraph 1.

2. CUSA admits, based upon the information currently available to it, that Removing Defendants collectively paid royalty to at least 5,900 royalty owners in Oklahoma wells since January 2010. *See* Notice of Removal, Doc. #1, ¶ 4. CUSA disputes the remaining allegations in paragraph 2 of the Amended Complaint.

3. Denied.

4. CUSA generally admits that royalty owners in Oklahoma wells are usually entitled under applicable leases or other documents to be paid certain royalties. However, the allegations in paragraph 4 do not accurate state the scope of the referenced duties, contracts or other matters so CUSA denies the remaining allegations in paragraph 4 of the Amended Complaint.

5. Denied.

6. CUSA admits that Plaintiff has stated her intent to ask the Court to certify this case as a class action lawsuit, but no class certification has yet been granted in this case, so CUSA denies the allegations in paragraph 6.

7. CUSA does not have knowledge or information sufficient to form a belief as to the current truth of the allegations contained in paragraph 7, so those allegations are deemed denied. Additionally, Plaintiff's allegations that she "owns a royalty interest in all oil and gas produced by Oklahoma Wells" is highly suspect.

8. In response to the allegations in paragraph 8 of the Amended Complaint, CUSA admits that it is a Pennsylvania Corporation with its principal place of business in San Ramon, California and that it does business in Oklahoma.

9. In response to the allegations in paragraph 8, CUSA admits that Four Star Oil & Gas Co. is a Delaware Corporation with its principal place of business in Houston, Texas and that it has done certain business in Oklahoma. CUSA denies the allegations in paragraph 9 as to McFarland Energy, Inc. That entity was dissolved on or about December 31, 2013.

10. CUSA admits it is or was at one time affiliated with the other Defendants listed in paragraph 10. CUSA also admits that Defendant Chevron Midcontinent, L.P. is a Texas limited partnership with its principal place of business in San Ramon, California, and that Chevron Midcontinent, L.P. has conducted certain business in Oklahoma.

11. In response to paragraph 11, CUSA admits only that Union Oil Company of California is a California corporation with its principal place of business in San Ramon, California and that it did certain business in Oklahoma in certain earlier years.

12. Denied.

13. CUSA admits that Plaintiff's allegations as to CUSA are based only upon her (speculative) belief. CUSA denies the remaining allegations contained in paragraph 13, particularly Plaintiff's contention that her allegations are likely to have evidentiary support.

14. Not disputed as to CUSA for purposes of the present lawsuit only.

15. Having removed this case to Federal Court, CUSA admits the Court has subject matter jurisdiction and that venue is proper in this District. Any remaining allegations in paragraph 15 are denied.

16. CUSA again admits that, having removed this case to Federal Court, jurisdiction and venue are proper in this Court.

17. Paragraph 17 merely defines a term for purposes of Plaintiff's Amended Complaint, and so no response from CUSA is required. CUSA denies that the definition in paragraph 17 is a widely-accepted definition for the term in question.

18. Paragraph 18 merely defines terms for purposes of Plaintiff's Amended Complaint, and so no response from CUSA is required. CUSA denies that the definition in paragraph 18 is a widely-accepted definition for the term in question.

19. Paragraph 19 merely defines a term for purposes of Plaintiff's Amended Complaint, and so no response from CUSA is required. CUSA denies that the definition in paragraph 19 is a widely-accepted definition for the term in question.

20. Denied. The allegations in paragraph 20 do not correctly describe the obligations of CUSA, and Plaintiff's proposed class appears to include putative class members to whom CUSA owes no royalty obligation.

21. Denied.

22. Denied. The allegations in paragraph 20 do not correctly describe the obligations of CUSA, and Plaintiff's proposed class appears to include putative class members to whom CUSA owes no royalty obligation.

23. The allegations in the first sentence of paragraph 23 do not correctly describe the broad scope of bases upon which royalty obligations may arise or exist, so CUSA denies those allegations. The remaining allegations in paragraph 23 are also denied, including all subparagraphs thereof.

24. The allegations in paragraph 24 are vague as to which stage of the production and marketing process Plaintiff is referring to so those allegations are denied.

25. CUSA admits it provides the royalty owners to whom it directly pays royalties a monthly remittance statement or "check stub." CUSA denies the remaining allegations contained in paragraph 25.

26. Denied.

27. Denied.

28. Denied.

29. Denied.

30. CUSA admits that it is aware of certain of its royalty obligations but denies that it has breached those obligations. CUSA further shows that there is certain uncertainty as to the current status of Oklahoma royalty law as shown by the fact that the U.S. District Court for the Western District of Oklahoma has previously noted the uncertain state of Oklahoma royalty law in certain respects by certifying to the Oklahoma Supreme Court certain questions as to the law that Court intended to pronounce in the

prior case of *Mittelstaedt v. Santa Fe Minerals, Inc.*, 1998 OK 7, 954 P.2d 1203.[1] CUSA further denies that Plaintiff has correctly described CUSA's royalty obligations. Any remaining allegations in paragraph 30 are denied.

31. Denied.

32. Denied. No class has been certified in this lawsuit, and CUSA contends that this action would be inappropriate for disposition through litigation on a class action basis.

33. Paragraph 33 is a description of the composition of Plaintiff's proposed class definition. CUSA denies that the described class could be properly certified in this case.

34. Paragraph 34 is Plaintiff's proposed class definition. CUSA denies that the described class could be properly certified in this case.

35. CUSA admits that it has owned or operated oil and gas leases in Oklahoma. The remaining allegations in paragraph 35 are denied at this stage of the lawsuit.

36. Denied.

37. Denied.

38. Denied.

39. CUSA admits Plaintiff's claims are antagonistic to Defendants, but denies the remaining allegations in paragraph 39.

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[1] See, as one example, *Hill v. Marathon Oil Company,* No. 108,098, before the Oklahoma Supreme Court (Order declining to address certified questions issued May 11, 2010).

40. CUSA lacks sufficient information to admit or deny the allegations in paragraph 40, so those allegations are deemed denied.

41. Denied.

42. Denied.

43. Denied.

44. Denied.

45. Denied. In light of the assertions of the Amended Complaint, Plaintiff should be aware of a number of reasons why class treatment of this case would be inappropriate.

46. Denied.

47. Denied.

Breach of Contract

48. In response to the allegations that are incorporated by reference in paragraph 48 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

49. The statement of duty and responsibility set forth in paragraph 49 is overly broad and incorrect. CUSA denies paragraph 49.

50. Denied.

51. Denied.

52. Denied.

53. Denied.

54. Denied.

55. Denied.

56. Denied.

57. Denied.

Breach of Implied Covenant of Good Faith and Fair Dealing[2]

58. In response to the allegations that are incorporated by reference in paragraph 58 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

59. In light of the way the *proposed* class is described in paragraph 34 of the Amended Complaint, CUSA denies the allegations in paragraph 59.

60. Denied.

61. Denied.

Fraud, Deceit and Fraudulent Concealment

62. In response to the allegations that are incorporated by reference in paragraph 62 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

63. Denied.

64. Denied.

65. Denied.

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[2] This claim was dismissed by the Court without leave to amend on June 15, 2015. *See* Doc. #36.

Breach of Fiduciary Duty[3]

66. In response to the allegations that are incorporated by reference in paragraph 66 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

67. Denied.

68. Denied.

69. Denied.

Conversion[4]

70. In response to the allegations that are incorporated by reference in paragraph 70 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

71. In response to paragraph 71 of the Amended Complaint, CUSA admits only that it has certain obligations to certain, but not all, Oklahoma royalty owners. The remaining allegations in paragraph 71 are denied.

72. Denied.

73. Denied.

74. Denied.

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[3] This claim was dismissed by the Court without leave to amend on June 15, 2015. *See* Doc. #36.

[4] This claim was dismissed by the Court without leave to amend on June 15, 2015. *See* Doc. #36.

Unjust Enrichment

75. In response to the allegations that are incorporated by reference in paragraph 75 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

76. Denied.

77. Denied.

Accounting

78. In response to the allegations that are incorporated by reference in paragraph 78 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

79. CUSA admits that it pays certain royalties to certain Oklahoma royalty owners but denies it owes royalties or other obligation to all of them.

80. In light of the way the *proposed* class is described in paragraph 34 of the Amended Complaint, CUSA denies the allegations in paragraph 80.

81. CUSA admits that, subject to the judicially acknowledged uncertain state of Oklahoma royalty law, CUSA is generally in a position to know whether the amounts it pays as royalties to Oklahoma royalty owners to whom CUSA makes payment for CUSA's own marketed share of production are appropriate. CUSA denies the remaining allegations in paragraph 81.

82. CUSA admits a dispute exists between Plaintiff and CUSA, as evidenced by this lawsuit.

83. Denied.

84. CUSA denies that Plaintiff is entitled to the relief sought in paragraph 84.

85. CUSA denies that Plaintiff is entitled to the relief sought in paragraph 85.

Declaratory Relief

86. In response to the allegations that are incorporated by reference in paragraph 86 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

87. CUSA admits a controversy exists between Plaintiff and CUSA, as evidenced by this lawsuit.

88. CUSA denies that Plaintiff is entitled to the relief sought in paragraph 88 and in its Amended Complaint.

89. CUSA denies that Plaintiff is entitled to the relief sought in paragraph 89 and in its Amended Complaint.

Failure to Timely Pay Royalty

90. In response to the allegations that are incorporated by reference in paragraph 86 of the Amended Complaint, CUSA adopts and re-alleges the preceding allegations and responses of this Answer.

91. The allegations in paragraph 91 of the Amended Complaint do not correctly describe the applicable statute and to not describe the circumstances of what is intended to be complained of by Plaintiffs, which circumstances are key to the applicability of

interest and the interest rate that might be applicable, so CUSA denies the allegations in paragraph 91.

92. CUSA denies the allegations of the Complaint to the extent they are not expressly admitted above.

ADDITIONAL DEFENSES

1. The Plaintiff has failed, in whole or in part, to state claims upon which relief can be granted.

2. The claims in this case are barred in part by prior settlement(s) and release(s).

3. The claims in this case are barred, in whole or in part, under the doctrines of waiver, estoppel, acquiescence, course of performance and/or ratification.

4. The claims in this case are barred, in whole or in part, by the applicable statute of limitations, contractual limitations periods and/or by the doctrine of laches.

5. The claims in this case are barred, in whole or in part, by the doctrine of payment.

6. The claims in this case are barred, in whole or in part, by the doctrines of settlement, release and/or accord and satisfaction.

7. The claims in this case are barred, in whole or in part, by the express terms of the written leases, agreements, transfer orders, unit agreements, communitization agreements and/or division orders applicable to the properties.

8. The claims in this case are barred, in whole or in part, by the doctrine of performance.

9. The claims in this case are barred, in whole or in part, by the doctrines of course of dealing and/or trade custom or usage of trade.

10. With regard to claims alleging breach of implied covenants, such claims are barred in whole or in part by the omission of claimants to make prior demand and to meet the other pre-conditions to asserting a claim for breach of implied covenant.

11. To the extent that any claims are asserted under compulsory pooling orders of the Oklahoma Corporation Commission rather than under oil and gas leases, such claims are barred by virtue of the nature and scope of the rights derived under Commission pooling orders.

12. The claims in this case may be barred in part by the doctrines of claim preclusion and issue preclusion.

13. An award of punitive damages in this case would be unconstitutional, a violation of due process, and constitute an unconstitutional and illegal taking of Defendant's property, and an excessive and unconstitutional penalty against Defendant.

14. At all times, Defendant has acted in good faith and in accordance with the applicable law in effect at the time.

15. Requiring Defendant to account under the theories of royalty payment and liability alleged by Plaintiff would be inequitable, would constitute an unconstitutional

and illegal taking of Defendant's property, and would constitute an excessive and unconstitutional penalty against Defendant.

16. To the extent Plaintiff seeks to recover interest under 52 O.S. § 570.10 (formerly codified as 52 O.S. § 540) based on any alleged breach of a lease entered into prior to the effective date of the statute, application of the statute to such pre-existing leases would impair then-existing contractual rights in violation of the United States Constitution and the Oklahoma Constitution.

17. To the extent that the Plaintiff's allegations and claims are based in part on the provisions of the Oklahoma Statutes pertaining to certain information that is to be shown on monthly production check stubs/remittances, such statutory provisions are unconstitutionally vague.

18. The claims asserted in this case may be subject to reduction due to a failure, in part, to mitigate any alleged damages.

19. The Plaintiff has failed to state a claim for fraud.

20. Plaintiff has failed to satisfy all conditions precedent to the filing of this action.

21. In the event that Plaintiff should recover any sums in this lawsuit against Defendant, Defendant is entitled to set-off and deduct from any recovery of the Plaintiff in this lawsuit any severance taxes that may have been paid on the sums sought to be recovered and/or which may be owing, depending upon the nature of the recovery sought and/or awarded by the Court.

22. Requiring Defendant to defend a class action suit based on non-individualized allegations of fraud would be an unconstitutional violation of due process under the United States Constitution.

23. The claims of the Plaintiff are precluded in part by the provisions of Oklahoma's Energy Litigation Reform Act, 52 O.S. § 901 et seq.

24. Defendant reserves the right to plead additional defenses that may become known during the course of discovery and as the claims being asserted in this case are clarified.

Prayer for Relief

WHEREFORE, premises considered, CUSA prays that the Plaintiff take and recover nothing by virtue of her Amended Complaint herein, that the Complaint be dismissed and that judgment be entered against Plaintiff, that the Court award CUSA its attorney’s fees, costs and other litigation expenses to the extent that the same are determined by the Court to be properly recoverable in this action, and that the Court grant to CUSA such other and further relief as the Court deems just and proper in this cause.

/s/ Mark D. Christiansen

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CERTIFICATE OF SERVICE

This certifies that on July 2, 2015 I electronically transmitted the above document to Clerk of Court using the CM/ECF system for filing. A Notice of Electronic Filing will be automatically transmitted to:

Alan W. Agee alan.agee@gacmlaw.com

/s/ Mark D. Christiansen

Mark D. Christiansen